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# **AUTOCROWN CORPORATION LIMITED**

**ANNUAL REPORT 1972**





AUTOCROWN CORPORATION LIMITED

DIRECTORS

Alan H. Frankel  
Richard C. W. Mauran  
Hardy E. R. Merker  
Terrance A. Wardrop  
William Tynkaluk

OFFICERS

Hardy E. R. Merker,  
President  
Richard C. W. Mauran,  
Vice President  
Terence A. Wardrop,  
Secretary

TRANSFER AGENT

National Trust Co. Ltd.,  
Toronto, Ontario

OFFICE OF COMPANY

266 Rexdale Blvd.,  
Rexdale, Ontario



*Clarkson, Gordon & Co.*

*Chartered Accountants*

Royal Trust Tower  
P.O. Box 251 Toronto-Dominion Centre  
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa  
Toronto Hamilton Kitchener London Windsor  
Thunder Bay Winnipeg Regina Calgary  
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.  
United States—Brazil

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AUDITORS' REPORT

To the Shareholders of  
Autocrown Corporation Limited:

We have examined the consolidated balance sheet of Autocrown Corporation Limited and its subsidiaries as at September 30, 1972 and the consolidated statements of income, retained earnings (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson, Gordon & Co.*

Toronto, Canada,  
November 29, 1972.

Chartered Accountants





March 7th., 1973

To The Shareholders;

It is with great pleasure that I present our annual report for the fiscal year ended September 30th., 1972. During the year sales decreased nominally. However, operating profit for the year was more than 2-1/2 times greater than the previous year as a result of better margins obtained on the product sold. With the intention of improving the balance sheet your Board of Directors elected to write-off all the deferred development expenditures related to the Autocrown cap. Development on the cap will continue as part of your company's research and development programme.

Subsequent to the year end we purchased all the assets of Safeguard Sprinkler Systems Ltd., for \$80,000.00 in the form of a subordinated convertible debenture due in 1982, convertible into shares of Autocrown Corporation at \$2.00 per share. Safeguard which will operate as a division of your Company, is in the business of designing, manufacturing and installing, through sales and lease, fire protection systems in buildings. Included in the sale of assets were a number of lease systems which provide automatic annual revenue.

The outlook for the coming year is very encouraging for all divisions.

For the Safeguard Sprinkler Division, mentioned above, we believe that there will be a substantial increase in sales resulting in a significant contribution to overall profitability.

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page # 2 .....

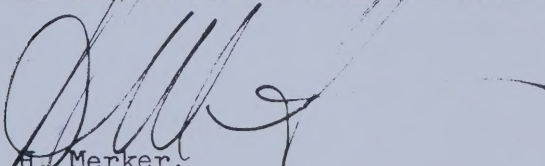
Eastern Wire & Conduits division continue to face heavy competition in its conduit line. However profit margin are remaining steady with a noted improvement in the other product lines including the plastic railing. Increase sales and profits are anticipated during the coming year.

Taymer Industries continue to sell into an expanding market with future sales outlook most encouraging. During this coming year we will add a new machine to our sales programme. This new addition will add considerable to our ability to penetrate markets around the world.

Your company emphasis has been in the manufacture and sale of products primarily associated with the wire and cable industry. The addition of the Safeguard division is an expansion in the industrial product field making use of the pipe fabricating experts of Taymer Industries.

It is our intention in the coming year to aggressively look for additional product lines in areas where your company has experts and where substantial profit for the shareholders can be obtained.

On behalf of the Board of Directors,



H. Merker,  
President

HM:ld



AUTOCROWN CORPORATION LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1972





AUTOCROWN CORPORATION LIMITED  
(Incorporated under the laws of Ontario)  
and its subsidiaries

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1972  
(with comparative figures at September 30, 1971)

A S S E T S

	<u>1972</u>	<u>1971</u>
Current:		
Accounts receivable	\$135,291	\$ 142,158
Inventories, at the lower of cost and net realizable value -		
Raw materials	51,927	51,377
Work in process	83,532	72,439
Finished goods	<u>153,021</u>	<u>138,306</u>
	288,480	262,122
Prepaid expenses	<u>5,339</u>	<u>4,288</u>
Total current assets	<u>429,110</u>	<u>408,568</u>
Fixed, at cost:		
Machinery and equipment	153,214	148,890
Automobiles and truck	10,301	10,301
Office furniture and fixtures	10,107	9,650
Leasehold improvements	<u>7,655</u>	<u>7,400</u>
	181,277	176,241
Less accumulated depreciation	<u>75,008</u>	<u>56,223</u>
	<u>106,269</u>	<u>120,018</u>
Other:		
Discount on debentures, less amount written off	25,813	29,313
Patents, at cost less amount written off (note 2)	1	1,606
Deferred development expenditures (note 2)		779,544
Expenses of share issue		41,923
Goodwill, at cost		<u>51,482</u>
	<u>25,814</u>	<u>903,868</u>
	<u>\$561,193</u>	<u>\$1,432,454</u>

L I A B I L I T I E S

	<u>1972</u>	<u>1971</u>
Current:		
Bank indebtedness (note 3)	\$ 98,189	\$ 86,256
Accounts payable and accrued charges	88,374	132,645
Current portion of long-term debt	<u>12,310</u>	<u>15,000</u>
Total current liabilities	<u>198,873</u>	<u>233,901</u>
Deferred income taxes		<u>57,400</u>
Long-term debt:		
10% floating charge redeemable debentures, Series A, payable to a shareholder in quarterly instalments to March 1, 1980 (note 3)	112,500	127,500
Less instalments due within one year included in current liabilities	<u>12,310</u>	<u>15,000</u>
	<u>100,190</u>	<u>112,500</u>
Shareholders' equity:		
Capital (note 4) -		
Authorized:		
155,065 5% non-cumulative, convertible preference shares with a par value of \$2.00 each, redeemable at par		
1,094,935 common shares without par value		
Issued:		
145,065 preference shares	290,130	298,130
679,935 common shares	645,567	637,567
Contributed surplus	68,381	68,381
Retained earnings (deficit) (statement 2)	<u>(741,948)</u>	<u>24,575</u>
	<u>262,130</u>	<u>1,028,653</u>
	<u>\$561,193</u>	<u>\$1,432,454</u>

On behalf of the Board:

Director

Director

(See accompanying notes to consolidated financial statements)





AUTOCROWN CORPORATION LIMITED  
and its subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

FOR THE YEAR ENDED SEPTEMBER 30, 1972

(with comparative figures for the year ended September 30, 1971)

	<u>1972</u>	<u>1971</u>
Retained earnings, beginning of year	\$ 24,575	\$12,392
Add (deduct):		
Net income (loss) for the year (statement 3)	(724,600)	12,183
Expenses of share issue	<u>(41,923)</u>	<u>          </u>
Retained earnings (deficit), end of year	\$ <u>(741,948)</u>	\$ <u>24,575</u>

(See accompanying notes to consolidated financial statements)



AUTOCROWN CORPORATION LIMITED  
and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1972

(with comparative figures for the year ended September 30, 1971)

	<u>1972</u>	<u>1971</u>
Net sales	\$ <u>991,606</u>	\$ <u>1,011,815</u>
Deduct:		
Cost of products sold, excluding items shown below	664,007	684,897
Selling expenses (statement 5)	158,558	172,460
Administrative expenses (statement 5)	86,006	84,782
Depreciation	18,785	19,975
Bank interest and service charges	9,779	11,356
Amortization of discount on debentures	<u>3,500</u>	<u>4,062</u>
	<u>940,635</u>	<u>977,532</u>
Income before income taxes and extraordinary items	50,971	34,283
Provision for deferred income taxes	<u>19,600</u>	<u>22,100</u>
Income before extraordinary items	<u>31,371</u>	<u>12,183</u>
Extraordinary items:		
Write-off of deferred development expenditures (note 2)	704,489	
Write-off of goodwill	<u>51,482</u>	
	<u>755,971</u>	
Net income (loss) for the year	\$ <u>(724,600)</u>	\$ <u>12,183</u>
Earnings (loss) per common share (note 6):		
Income before extraordinary item -		
Basic	\$ <u>.046</u>	\$ <u>.018</u>
Fully diluted	\$ <u>.038</u>	\$ <u>.015</u>
Net income (loss) -		
Basic	\$ <u>(1.069)</u>	\$ <u>.018</u>
Fully diluted	\$ <u>(1.065)</u>	\$ <u>.015</u>

(See accompanying notes to consolidated financial statements)





AUTOCROWN CORPORATION LIMITED  
and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1972

(with comparative figures for the year ended September 30, 1971)

	<u>1972</u>	<u>1971</u>
Source of funds:		
Operations -		
Income before extraordinary items	\$ 31,371	\$ 12,183
Add charges not requiring a current outlay of funds:		
Depreciation	18,785	19,975
Provision for deferred income taxes	19,600	22,100
Amortization of discount on debentures	3,500	4,062
	<u>73,256</u>	<u>58,320</u>
Application of funds		
Purchases of fixed assets (net)	5,036	11,530
Deferred development expenditures	340	165
Repayment of 10% floating charge debentures	<u>12,310</u>	<u>15,000</u>
	<u>17,686</u>	<u>26,695</u>
Increase in working capital	55,570	31,625
Working capital, beginning of year	<u>174,667</u>	<u>143,042</u>
Working capital, end of year	<u>\$230,237</u>	<u>\$174,667</u>

(See accompanying notes to consolidated financial statements)





AUTOCROWN CORPORATION LIMITED  
and its subsidiaries

CONSOLIDATED STATEMENTS OF SELLING AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 1972  
(with comparative figures for the year ended September 30, 1971)

	<u>1972</u>	<u>1971</u>
<u>SELLING EXPENSES</u>		
Salaries and employee benefits	\$ 41,256	\$ 44,639
Freight out	39,376	44,435
Commissions	29,463	27,269
Travel	9,829	10,406
Telephone	9,070	10,560
Advertising and promotion	7,422	9,439
Stationery and office supplies	2,356	3,548
Reel revenue	(340)	(2,077)
General	14,078	14,486
Shipping and warehousing	<u>6,048</u>	<u>9,755</u>
	<u>\$ 158,558</u>	<u>\$ 172,460</u>
<u>ADMINISTRATIVE EXPENSES</u>		
Salaries and employee benefits	\$ 56,963	\$ 57,555
Legal and audit	7,978	9,293
General	10,922	9,284
Travel	6,418	5,609
Stationery and office supplies	<u>3,725</u>	<u>3,041</u>
	<u>\$ 86,006</u>	<u>\$ 84,782</u>

(See accompanying notes to consolidated financial statements)



AUTOCROWN CORPORATION LIMITED  
and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1972

1. Basis of consolidation

The consolidated financial statements for 1972 and 1971 include the accounts of the company and all of its subsidiaries.

2. Write-off of deferred development expenditures

Since incorporation, the company has been engaged in the development of machinery and equipment for the manufacture and application of Autocrowns, and all expenditures to the end of 1972 had been deferred. Although development work is to be continued, it has been decided to write off the accumulated expenditures because of doubt as to recovery of the costs out of future production and sale of Autocrowns, production machinery and other items. Accordingly the expenditures of \$779,884 to September 30, 1972 and the cost of patents of \$1,605, less accumulated deferred income tax credits of \$77,000, have been written off as an extraordinary item in the statement of income.

3. Bank indebtedness and debentures

Bank indebtedness is secured by a pledge of accounts receivable together with a first floating charge on all other assets. The debentures are secured by a second floating charge on all assets.

Interest on the debentures does not commence until March 1, 1973.

4. Share capital

The preference shares are convertible into common shares at the option of the holder on a share for share basis. In 1972, 4,000 preference shares were converted into common shares.





At September 30, 1972, unissued common shares of the company are reserved as follows:

	<u>Number of shares</u>
(a) For possible issuance on conversion of preference shares	145,065
(b) For possible issuance on exercise of share purchase warrants entitling the holders to purchase common shares at a price of \$3.00 per share up to December 30, 1983	<u>175,000</u>
	<u>320,065</u>

5. Future years' tax deductions

Although the full amount of development expenditures has been written off against reported earnings, approximately \$365,000 of these costs have not yet been claimed as a deduction for income tax purposes. These costs are available for deduction from future years' taxable income.

6. Earnings (loss) per common share

No dividends were declared on the non-cumulative preference shares in 1972 and 1971. If such dividends had been declared, the earnings per common share before extraordinary item would have been reduced.

Fully diluted earnings per common share before extraordinary item have been computed on the assumption that all of the preference shares had been converted into common shares as of the beginning of the year.

7. Remuneration of directors and senior officers

Remuneration of directors and senior officers (as such are defined under The Business Corporations Act, 1970) was \$63,366 in 1972 and \$55,650 in 1971.

8. Long-term rental commitment

The lease on the Rexdale premises commits the company to rentals of \$26,000 a year to 1978.



9. Event subsequent to the year end

Subsequent to the year end the company has entered into negotiations for the purchase of the net operating assets of Safeguard Sprinkler Systems Limited, a manufacturer of fire protection systems, for a consideration of \$80,000. The price is to be satisfied by the issue of an unsecured, non-interest bearing convertible debenture due September 30, 1982. This debenture is to be convertible into common shares of the company at any time prior to maturity on the basis of one common share for each \$2 of principal outstanding.







